

Pathways Vision Model

Applications in Introductory Financial Accounting

Brigham Young University

April 3, 2015

G. Peter Wilson

Slides will be posted at

www.navigatingaccounting.com/presentation/presentations#Teaching

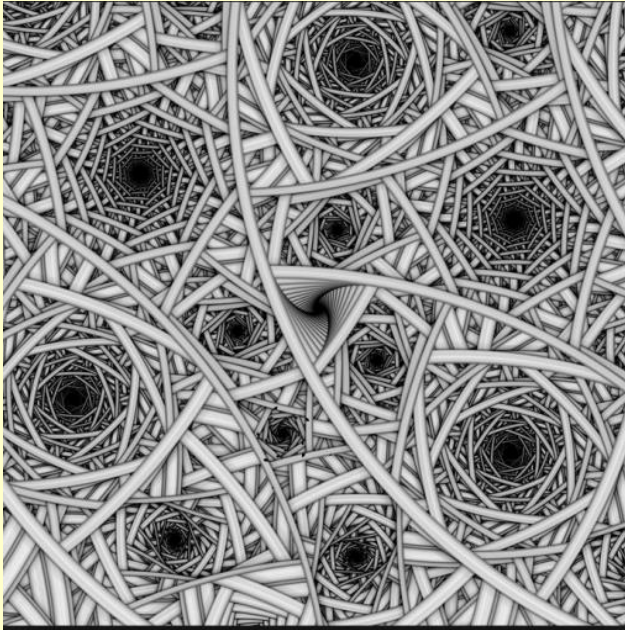
Pathways Vision Model

Agenda

- Simplicity on the far side of complexity
- First day – accounting judgments
- Analysis days – outsider-users' decisions
- Non-analysis days – insider-preparers' decisions

Pathways Vision Model

Simplicity on the Far Side of Complexity



<http://integral-options.blogspot.com/2013/03/eric-storm-and-beth-meredith-beyond.html>

“I wouldn’t give a fig for the
simplicity **this side of complexity**
but I’d give my life for simplicity
on the **far side of complexity**”

Oliver Wendell Holmes

SIMPLICITY ON THIS SIDE

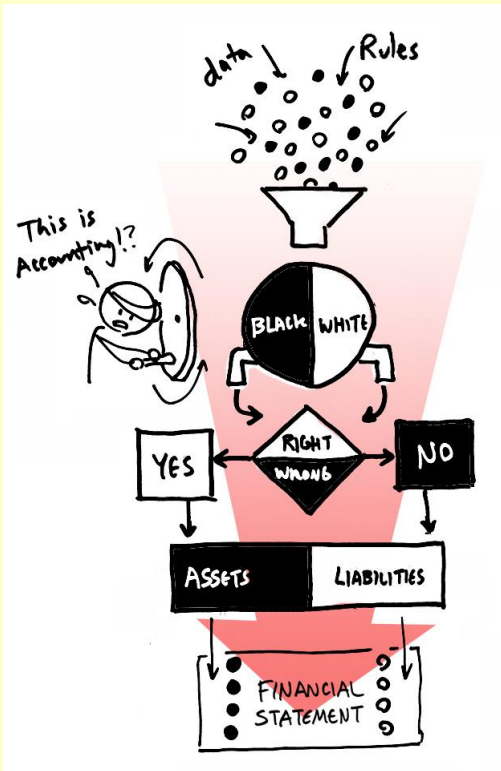
OF COMPLEXITY



Simple but shallow



Perception



SIMPLICITY ON THE FAR

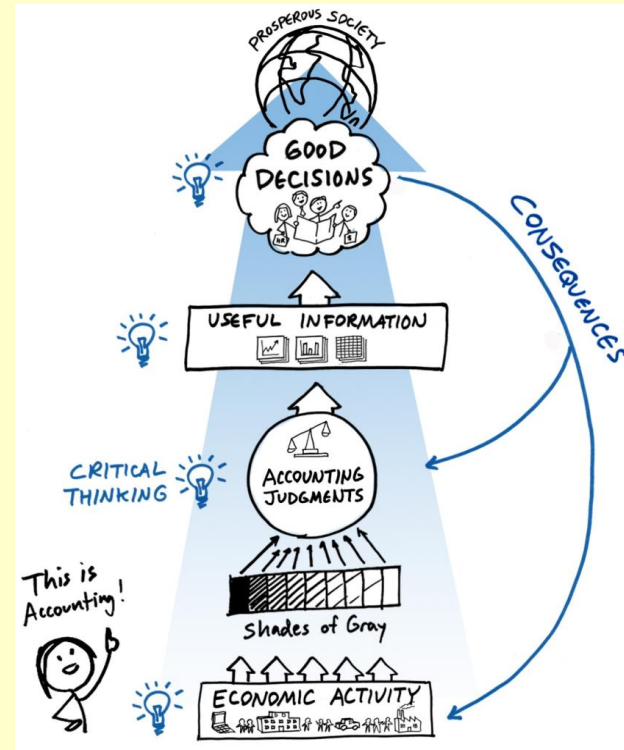
SIDE OF COMPLEXITY



Simple yet deep



Reality



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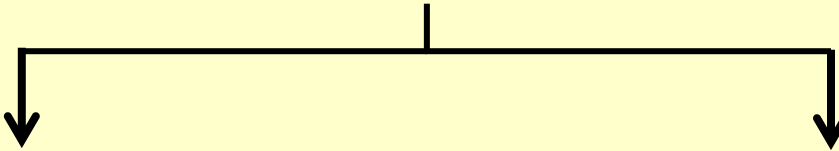
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SIMPLICITY ON THE FAR

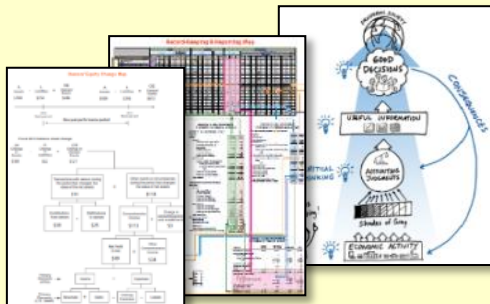
SIDE OF COMPLEXITY



Simple yet **deep**



**Robust concepts
and frameworks**



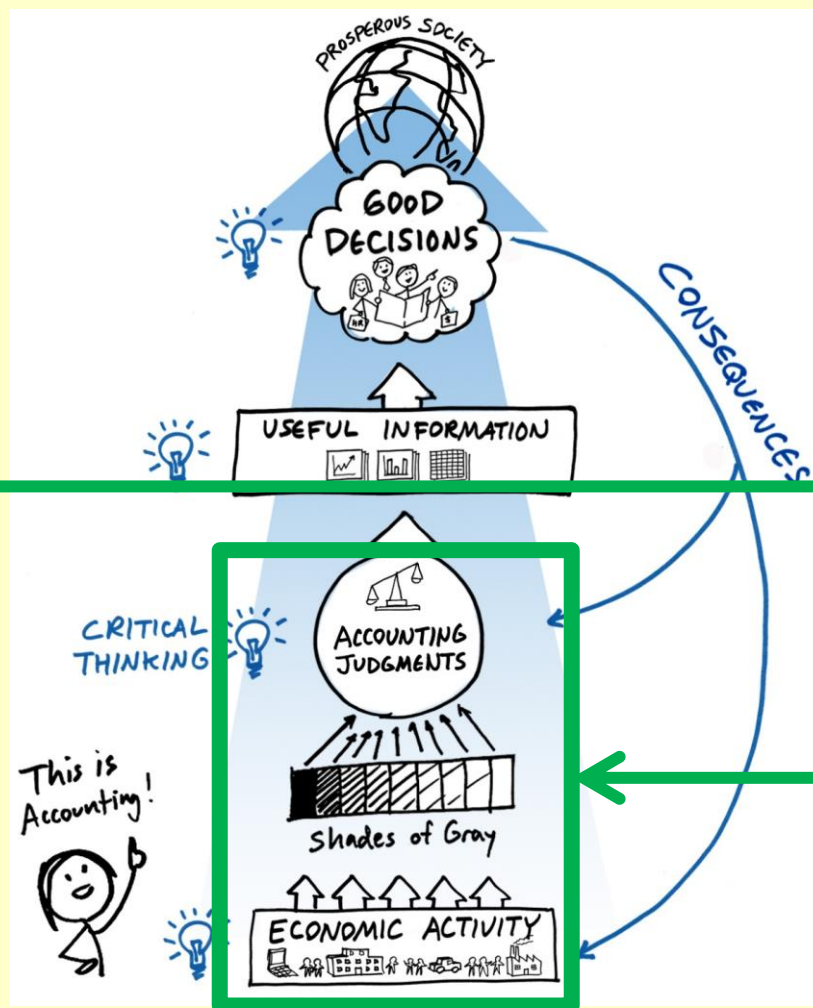
**Rich
applications**



Simplicity on the Far Side of Complexity

Pathways Vision Model

Simplicity on the Far Side of Complexity



Outsiders

Insiders

Reporting entity



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Pathways Vision Model

First Day – Accounting Judgments

EXERCISES

bs.wis.050 Applying definitions and measurement to assets, liabilities and owners' equity

This exercise will help you better understand some of the key concepts in accounting by relating them to a representative student. We introduce the concepts here and develop them more formally in later modules. No solution is provided.

Part I: Asset definition

Here are some things you need to know to complete the exercises:

- Assets are resources with probable future benefits controlled by the entity as a result of past events or circumstances.
- A resource can meet the definition of an asset and still not be reported on the entity's balance sheet.
- To be recognized on the balance sheet, a resource must meet two criteria: it must meet the definition of an asset and it must be possible to measure its financial value reliably.

Required

Answer the following from the perspective of a representative student:

You are an entity and you have a balance sheet.

- (a) Measurement aside, what tends to be your 2-3 biggest assets? That is, what are the resources with probable future benefits controlled by you as a result of past transactions (events or circumstances).

Judgment



This exercise helps you learn how to analyze accounting judgments.

02 bs.wis.050: Part I: asset definition - Microsoft OneNote

File Home Insert Share Draw Review View

Session 01 Session 02 Session 03 Session 04 Session 05 Session 06 Session 07 Session 08 Session 14 Session 15 ...

Things You Need to Know

- **Assets are resources with probable future benefits controlled by the entity as a result of past events or circumstances.**
- **A resource can meet the definition of an asset and still not be reported on the entity's balance sheet.**
- **To be recognized on the balance sheet, a resource must meet two criteria: it must meet the definition of an asset and it must be possible to measure its financial value reliably.**

Questions

Answer the following question from the perspective of a representative student in your group.

You have a balance sheet:

- **Measurement aside, what tends to be your 2-3 biggest assets?**
- **That is, what are the resources with probable future benefits you control as a result of past events or circumstances?**

New Page

Announcements

- 01 bs.wis.050: questions
- 02 bs.wis.050: Part I: asset definition
- 03 bs.wis.050: Part I: asset definition -- guidance
- 04 bs.wis.050: Part I: asset definition
- 05 bs.wis.050: Part II: asset measurement
- 06 bs.wis.050: Part II: asset measurement -- guidance
- 07 bs.wis.050: Part II: asset measurement
- 08 bs.wis.050: Part II: asset measurement
- 09 bs.wis.050: Part III: liabilities definition
- 10 bs.wis.050: Part III: liabilities definition
- 11 bs.wis.050: Part IV: liabilities measurement
- 12 bs.wis.050: Part IV: liabilities measurement
- 13 bs.wis.050: Part IV: liabilities measurement
- 14 bs.wis.050: Part V: owners' equity definition
- 15 bs.wis.050: Part VI: owners' equity measurement
- 16 bs.wis.050: Part VI: owners' equity measurement
- 17 bs.wis.050: Part VI: owners' equity measurement
- 18 bs.wis.050: Part VI: owners' equity measurement
- 19 bs.wis.050: Part VI: owners' equity measurement
- 20 bs.wis.050: Part VI: owners' equity measurement

Pathways Vision Model

First Day – Accounting Judgments

Teaching video for first day exercise

<http://www.navigatingaccounting.com/content/instructors-forum#part-2-asset-liability-and-owners-equity-measures-anchor>

EXPRESS VIDEO: SUGGESTED AUDIENCES, OBJECTIVES, AND OVERVIEW. [4 MIN]



[Video](#)

[Only above video has menus; requires Flash]



[iPod \[mp4\]](#) [iPhone/iPad \[mp4\]](#)



[Audio \[mp3\]](#)

SCENIC VIDEO: SUGGESTED TEACHING TIPS. [40 MIN]



[Video](#)

[Only above video has menus; requires Flash]



[iPod \[mp4\]](#) [iPhone/iPad \[mp4\]](#)



[Audio \[mp3\]](#)

CLASS MATERIALS:



[PowerPoint Slides \[pptx\]](#) [OneNote Pages \[one\]](#)

Pathways Vision Model

Framing Analysis Days – Outsider-Users’ Decisions

Analysis Days

Step 1

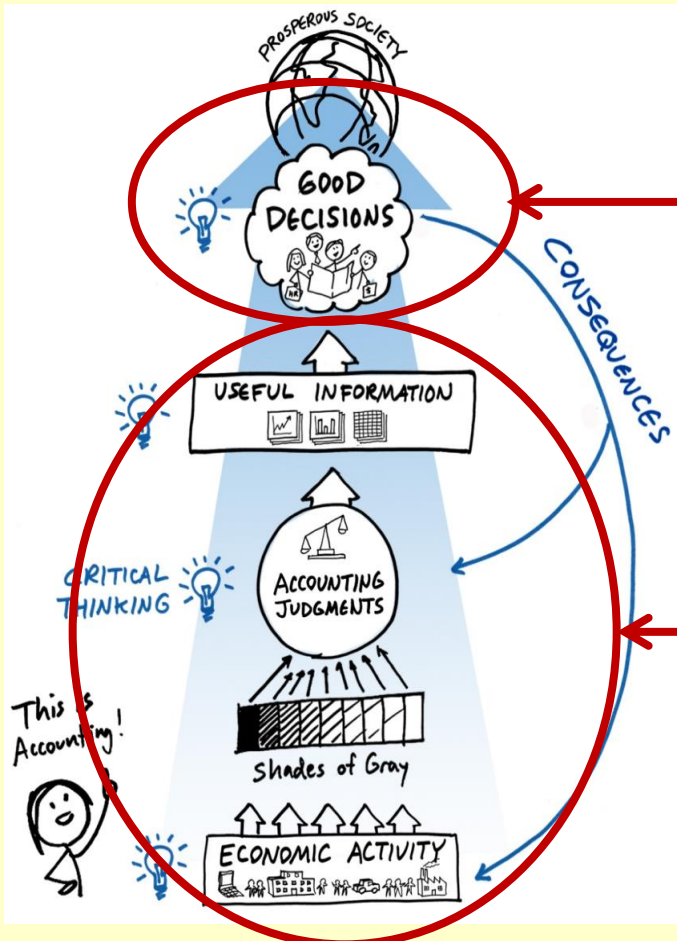
What do I see on the surface?

Step 3

How do I use what I see and my understanding of what’s behind what I see?

Step 2

What’s behind what I see?



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Pathways Vision Model

Analysis Days – Outsider-Users’ Decisions

EXERCISES

is.hun.afp.040 Analyzing information to assess companies’ future prospects

(Analysis Mini-Case Series)

This exercise has an open-ended question that allows for several good alternative responses. While there aren’t correct responses to the question, some are definitely better than others. Generally, responses are better to the extent they identify and fully vet arguments, counterarguments, and rebuttals, include appropriate qualifiers, and provide insights regarding the way you assessed the relative merits of the arguments, counterarguments and rebuttals. See [The Toulmin Model of Argumentation](#) as a reference.

Additionally, responses must cite sources and use quotation marks when copying word for word. Admittedly, this is overkill here because you can only use the provided information. However, citing here is good practice for situations where there are fewer or no restrictions on the admissible information. Still, you needn’t cite the provided tabular data.

Usage



This exercise helps you learn how to use accounting information.

Pathways Vision Model

Analysis Days – Outsider-Users' Decisions

Claim

Part I: Your qualified claim and opening remarks

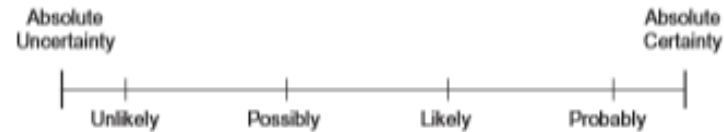
Fill in the blank with either Coke or Pepsi:

_____ appears to have the better future prospects at the most recent balance sheet dates, taking into consideration expected future ROEs, growth rates, and risks.

Qualifiers

Qualifiers:

Put an X at the spot on the scale below that indicates the likelihood your claim is correct, given the available information and concepts covered thus far.



The Youkin Method of Argumentation: The Second Book, Keith Green
http://www.youtube.com/watch?v=gRtC_vZDB

Arguments

Part II: Your arguments

Provide no more than three arguments in support of your claim in the space provided below, numbered and arranged according to your assessment of their strength (from strongest to weakest).

Counterarguments

Part III: Your counterarguments and rebuttals

Provide no more than three counterarguments to your claim, numbered and arranged according to your assessment of their challenge to the claim (from strongest to weakest). If possible provide rebuttals immediately below each counterargument.

Pathways Vision Model

Analysis Days – Outsider-Users’ Decisions

EXERCISES


is.hun.afp.040 Analyzing information to assess companies’ future prospects

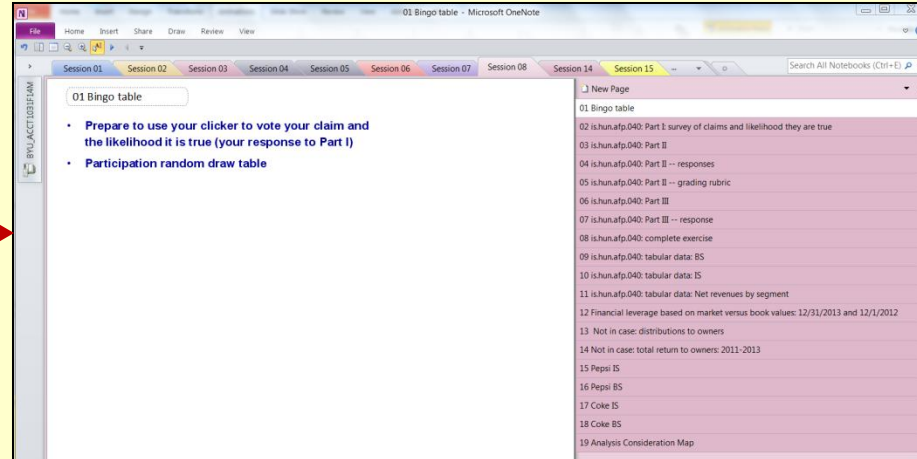
(Analysis Mini-Case Series)

This exercise has an open-ended question that allows for several good alternative responses. While there aren’t correct responses to the question, some are definitely better than others. Generally, responses are better to the extent they identify and fully vet arguments, counterarguments, and rebuttals, include appropriate qualifiers, and provide insights regarding the way you assessed the relative merits of the arguments, counterarguments and rebuttals. See [The Toulmin Model of Argumentation](#) as a reference.

Additionally, responses must cite sources and use quotation marks when copying word for word. Admittedly, this is overkill here because you can only use the provided information. However, citing here is good practice for situations where there are fewer or no restrictions on the admissible information. Still, you needn’t cite the provided tabular data.

Usage

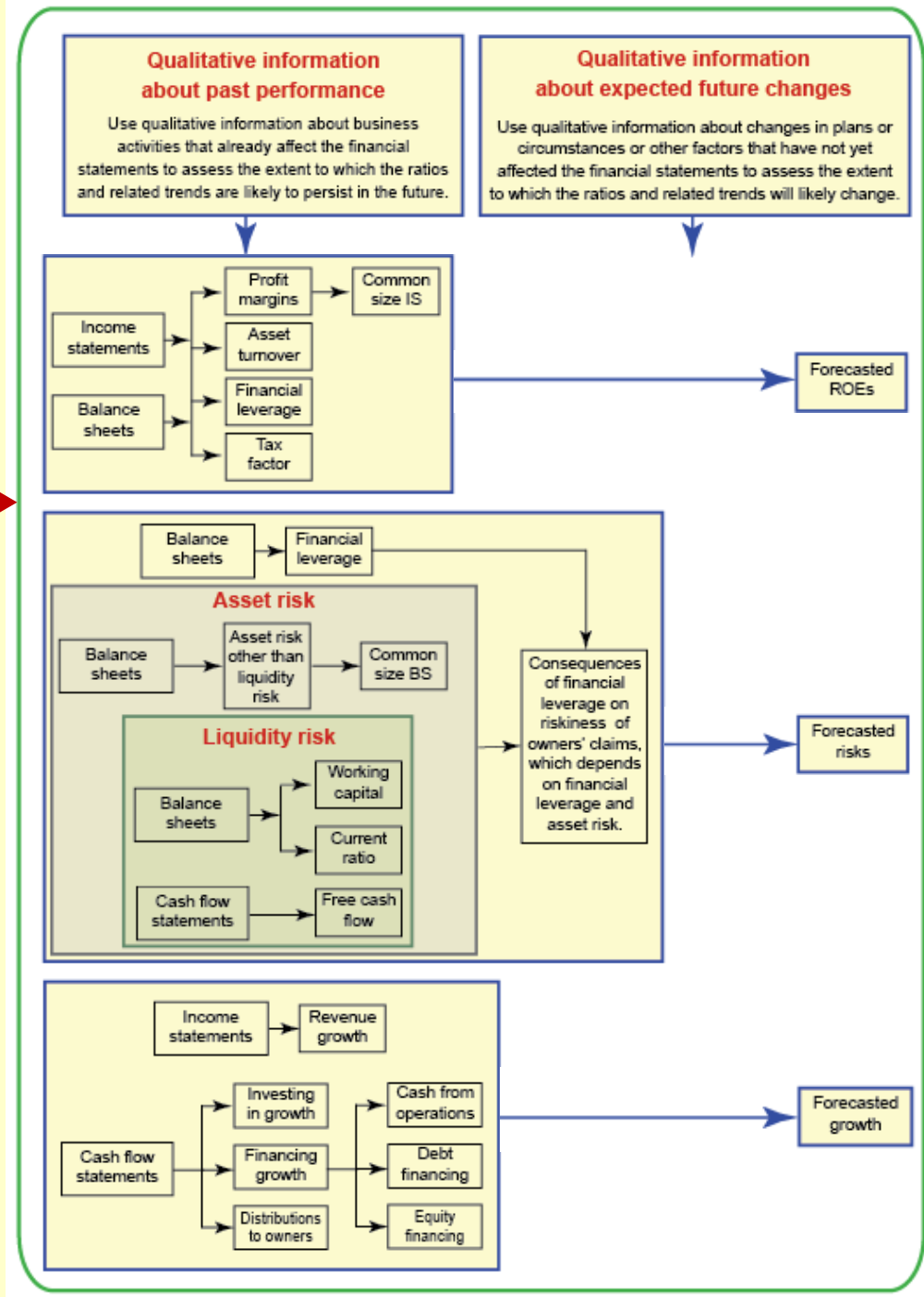
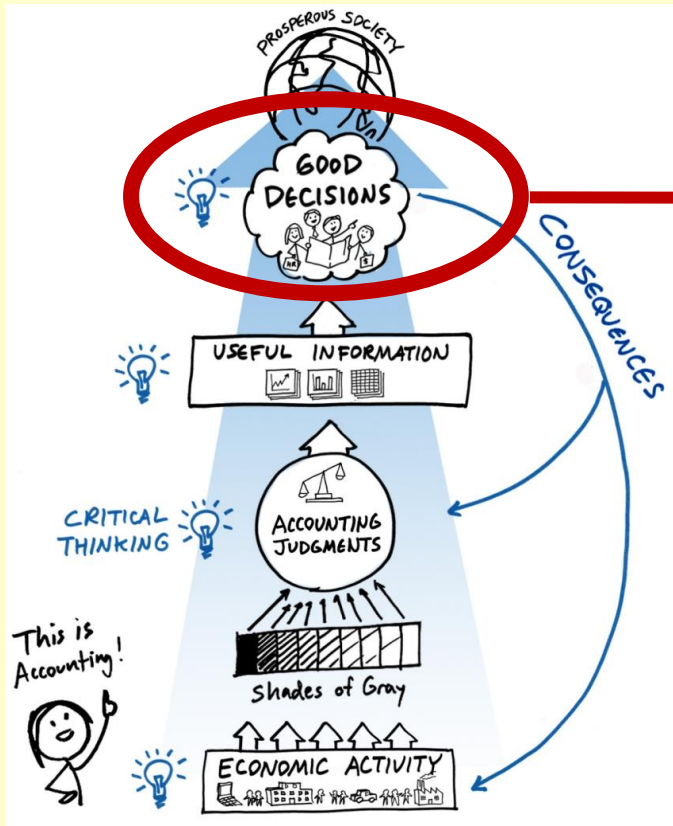
 This exercise helps you learn how to use accounting information.



Step 3

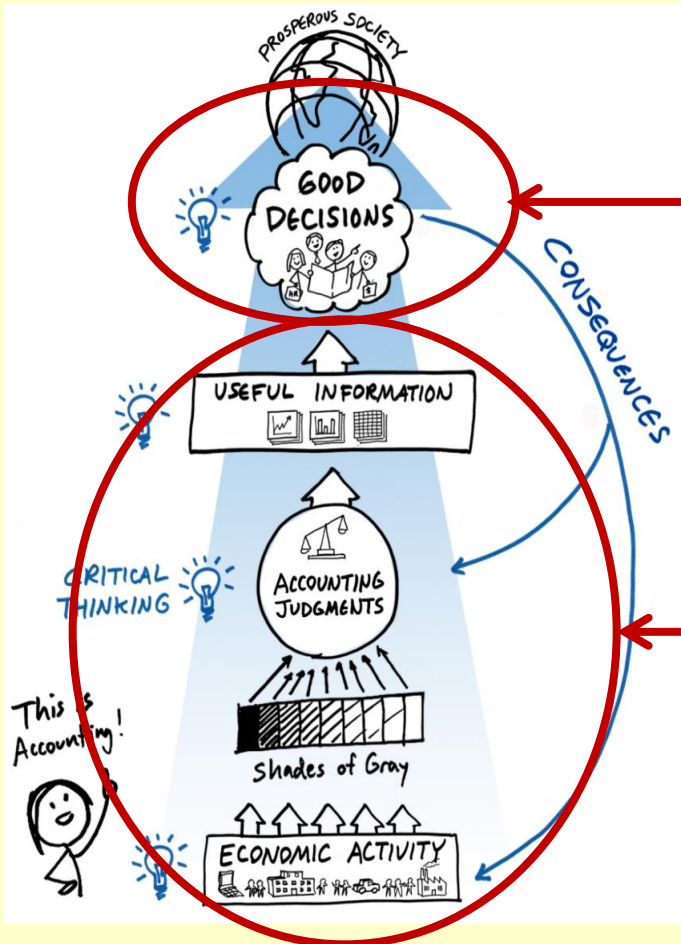
Analysis

Consideration Map



Pathways Vision Model

Framing Non-Analysis Days – Insider-Preparers' Decisions



Step 1

What do I see on the surface?

Step 3

How do I use what I see and my understanding of what's behind what I see?

Step 2

What's behind what I see?

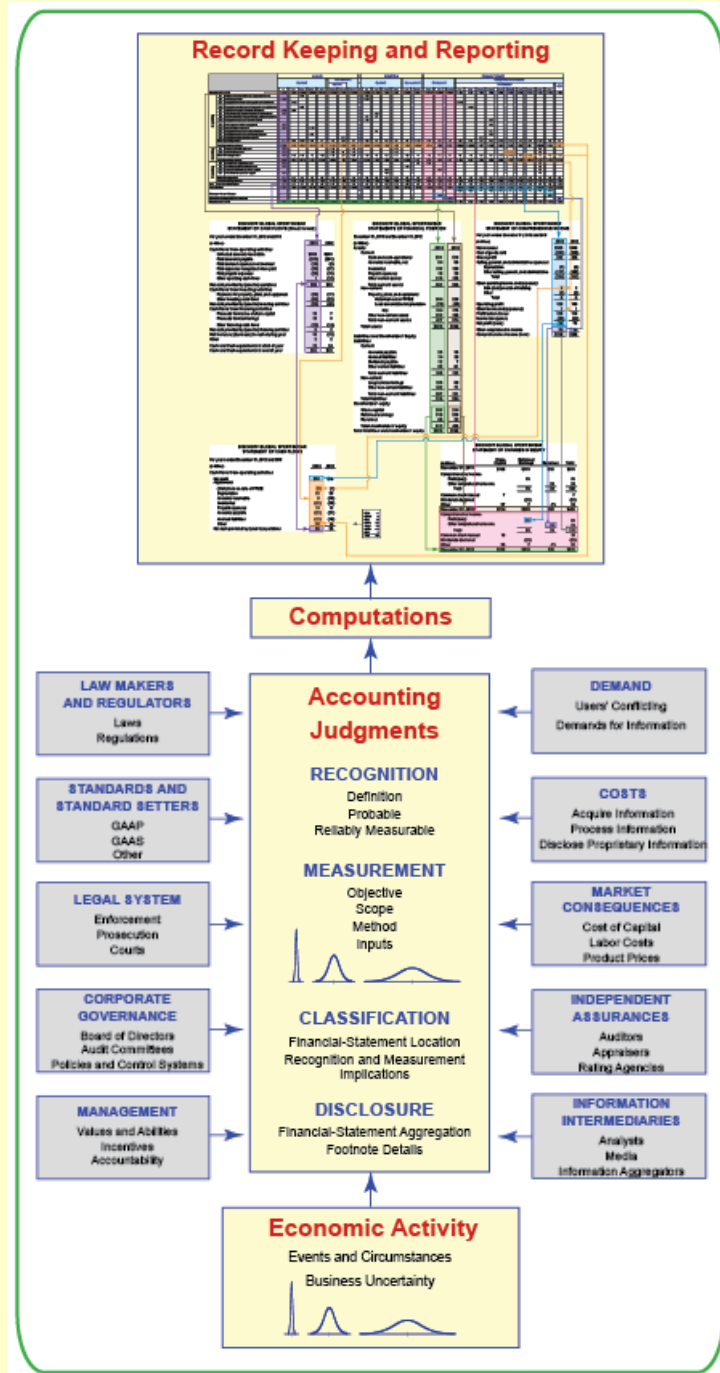
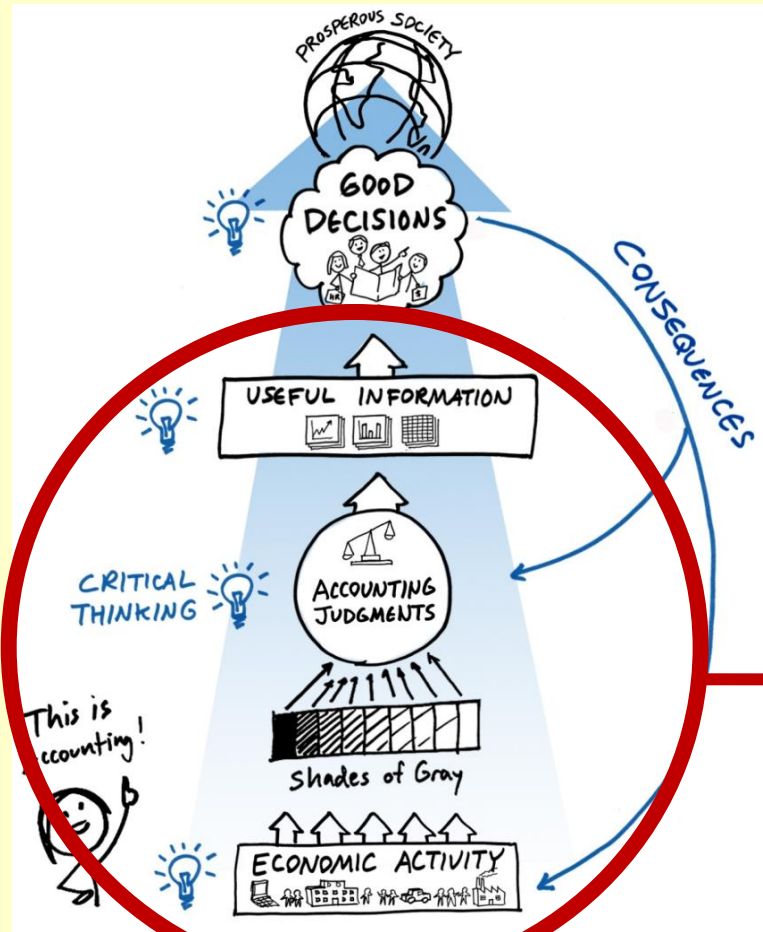
Non - Analysis Days



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Step 2

Accounting Decision Map



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Non-Analysis Days – Insider-Preparers' Decisions

Class Structure

15th Session

- **Sample:** Basic assessment
 - “Know what you don’t know”
- **Respond:** Mini-lectures
 - Concepts
 - Homework problems
- **Apply and Extend:** Problem solving
 - New context
 - More complex context
- **Discuss:** Related risks & judgments

Class OneNote Slides

01 Clicker: basics assessment rv.wbn.war: question 01
02 Clicker: basics assessment rv.wbn.war: solution 01
03 Clicker: basics assessment rv.wbn.war: question 02
04 Clicker: basics assessment rv.wbn.war: solution 02
05 Clicker: basics assessment rv.wbn.war: question 03
06 Clicker: basics assessment rv.wbn.war: solution 03
07 Clicker: basics assessment rv.wbn.war: question 04

08 concepts: allowances: key business and accounting issues
09 concepts: anticipate warranty claims
10 concepts: settle warranty claims
11 rv.wbn.war.010: exercise
12 rv.wbn.war.010: part I(a): question
13 rv.wbn.war.010: part I(a): accounts
14 rv.wbn.war.010: part I(a): Note 12: warranties table
15 rv.wbn.war.010: part I(a): blank JE template and inputs
16 rv.wbn.war.010: part I(a): solution
17 rv.wbn.war.010: part I(b): question
18 rv.wbn.war.010: part I(b): blank JE template and inputs
19 rv.wbn.war.010: part I(b): solution
20 rv.wbn.war.010: part II(c) question
21 rv.wbn.war.010: part II(c) R&R map: replenishing allowances
22 rv.wbn.war.010: part II(c): fs effects: BS
23 rv.wbn.war.010: part II(c): fs effects: IS
24 rv.wbn.war.010: part II(c): fs effects: SCOE
25 rv.wbn.war.010: part II(c): fs effects: SCF
26 rv.wbn.war.010: part II(c): solution
27 rv.wbn.war.010: part II(d) question
28 rv.wbn.war.010: part II(d) R&R map: replenishing allowances
29 rv.wbn.war.010: part II(d): fs effects: BS
30 rv.wbn.war.010: part II(d): fs effects: SCF
31 rv.wbn.war.010: part II(d): solution

32 Clicker: applications and extensions rv.wbn.war: solution 01
33 Clicker: applications and extensions rv.wbn.war: question 02
34 Clicker: applications and extensions rv.wbn.war: solution 02
35 Clicker: applications and extensions rv.wbn.war: question 03
36 Clicker: applications and extensions rv.wbn.war: solution 03
37 Clicker: applications and extensions rv.wbn.war: question 04

Pathways Vision Model

Non-Analysis Days – Insider-Preparers' Decisions

The screenshot shows the Navigating Accounting website with a navigation menu at the top: Home, Course, Group Projects, Master Book: Work-in-Process, Presentations, and About. The main content area is divided into several sections:

- Navigation:** Includes links for What's New, What's Popular, Browse by Content Type, and About Navigating Accounting.
- Using Navigating Accounting:** A section explaining the site's content and providing a link to click here for navigation tips.
- Exercises: Critical Thinking Using Toulmin Model:** A section describing a Mini-Case Series using the Toulmin Model of Argumentation, with a link to read more.
- Master Book: Work-in-Process:** A section providing information about the Master Book's content, including a link to click here for more details.
- Analyzing Financial Statements Across Time and Industries:** A section describing exercises that help apply concepts to real companies' financial statements, with a link to read more.
- Instructors' Forum:** A section featuring a video series titled "HELPING STUDENTS MAKE INFORMED JUDGMENTS" and a link to read more.

On the right side of the page, there are additional sections:

- Maps:** A list of various maps including Accounting Decisions Map, Analysis Considerations Map, Course Maps (examples), Owners' Equity Change Map (OEC Map and template), Record Keeping & Reporting Map (R&R Map), and Statement of Cash Flows Entry Map (SCF Map).
- Resources:** A list of resources including Bischoff's Entries Study Aid (Chapter by Chapter), Bischoff's Financial Statement Effects Workbook, Frequently Asked Questions (FAQ), Glossary, Line-by-Line Tour: Intel's Financial Statements (Reference), Practice Exams, Record Keeping Quick Reference (Entries & T-Accounts), and Self Assessment Quizzes (highlighted with a red box and a "NEW" star icon).
- Toulmin Model of Argumentation (Reference):** A link to a reference page.

Self Assessment Quizzes

Pathways Vision Model

Non-Analysis Days – Insider-Preparers' Decisions

Quizzes

Know What You Don't Know – Self Assessment Quizzes

A critical step in the learning process is to know what you don't know and seek help as soon as possible to ensure you don't fall behind.

Click below for quizzes that will help you know what you know and don't know about the topic.

- [Balance Sheet Quizzes](#)
- [Income Statement Quizzes](#)
- [Statement of Cash Flows Quizzes](#)
- [Revenue & Customer-related Balance Sheet Quizzes](#)
- [Cost of Sales & Supplier-related Balance Sheet Quizzes](#)
- [Deferred Expenses & Long-Lived Assets Quizzes](#)
- [Interest Expense & Creditor-Related Liabilities Quizzes](#)

Pathways Vision Model

Non-Analysis Days – Insider-Preparers' Decisions

Revenue & Customer-related Balance Sheet Quizzes

Topics:

Receivables

Warranties

Basic

[rv.wbn.rec.basic.001](#)

[rv.wbn.war.basic.001](#)

Applications and Extensions

[rv.wbn.rec.appl.001](#)

[rv.wbn.war.appl.001](#)

Quiz [rv.wbn.rec.basic.001](#)

[View](#) [Take](#)

Questions:	4
Attempts allowed:	Unlimited
Available:	Always
Pass rate:	90 %
Backwards navigation:	Allowed

Start quiz

Pathways Vision Model

Non-Analysis Days – Insider-Preparers' Decisions

Question 1

Question

On January 1, 2013, Burke's Bikes (BB) had \$403,333 of gross receivables with a \$12,100 allowance for uncollectible accounts. During the year ended December 31, 2013, BB wrote off \$12,000 receivables.

What journal entry summarizes the entries BB recorded during 2013 to recognize the write-offs?

Which of the following is the best response?

		Debit	Credit
(a)	Write-off bad debts		
	Bad debt expense	\$12,000	
	Allowance for doubtful accounts		\$12,000

		Debit	Credit
(b)	Write-off bad debts		
	Allowance for doubtful accounts	\$12,000	
	Gross accounts receivable		\$12,000

		Debit	Credit
(c)	Write-off bad debts		
	Gross accounts receivable	\$12,000	
	Allowance for doubtful accounts		\$12,000

(d) none of the above

Pathways Vision Model

Non-Analysis Days – Insider-Preparers' Decisions

Revenue & Customer-related Balance Sheet Quizzes

Topics:

Basic

Applications and Extensions

Receivables

[rv.wbn.rec.basic.001](#)

[rv.wbn.rec.appl.001](#)

Warranties

[rv.wbn.war.basic.001](#)

[rv.wbn.war.appl.001](#)

[Home](#)

Quiz [rv.wbn.rec.appl.001](#)

View [Take](#)

Questions:	7
Attempts allowed:	Unlimited
Available:	Always
Pass rate:	90 %
Backwards navigation:	Allowed

[Start quiz](#)

Pathways Vision Model

Non-Analysis Days – Insider-Preparers’ Decisions

Question 1

[Coach 2013 Reference Information \[pdf\]](#)

Question

Identify correct entries for Coach’s “Allowance for Bad debts” for the year ended June 29, 2013.

Which of the following is the best response?

	Debit	Credit
(a) Provision for bad debt	\$529	
Allowance for doubtful accounts		\$529

	Debit	Credit
(b) Allowance for doubtful accounts	\$1,651	
Gross accounts receivable		\$1,651

	Debit	Credit
(c) Gross accounts receivable	\$1,651	
Allowance for doubtful accounts		\$1,651

(d) (a) and (b)

Schedule II

COACH INC
Schedule II – Valuation and Qualifying Accounts
For Fiscal Years Ended June 29, 2013, June 30, 2012, and July 2, 2011
 (amounts in thousands)

	Balance at Beginning of Year	Provision Charged to Costs and Expenses	Write-offs/ Allowances Taken	Balance at end of Year
Fiscal 2013				
Allowance for bad debts	\$3,318	(\$529)	(\$1,651)	\$1,138
Allowance for returns	2,810	8,644	(4,431)	7,023
Allowance for markdowns	3,685	22,484	(17,845)	8,324
Valuation allowance 1	53,503	29,252	(3,156)	79,599
Total	<u>\$63,316</u>	<u>\$59,851</u>	<u>(\$27,083)</u>	<u>\$96,084</u>
Fiscal 2012				
Allowance for bad debts	\$3,431	(\$117)	\$4	\$3,318
Allowance for returns	2,196	1,752	(1,138)	2,810
Allowance for markdowns	3,917	10,267	(10,499)	3,685
Valuation allowance 1	21,800	31,703		53,503
Total	<u>\$31,344</u>	<u>\$43,605</u>	<u>(\$11,633)</u>	<u>\$63,316</u>
Fiscal 2011				
Allowance for bad debts	\$1,943	\$1,495	(\$7)	\$3,431
Allowance for returns	1,371	3,837	(3,012)	2,196
Allowance for markdowns	3,651	7,233	(6,967)	3,917
Valuation allowance 1	1,217	20,583		21,800
Total	<u>\$8,182</u>	<u>\$33,148</u>	<u>(\$9,986)</u>	<u>\$31,344</u>

Coach, 2013 10K, page 87

Pathways Vision Model

Non-Analysis Days – Connect to Outsider-User Decisions

15th Session

MARKETS

Big Banks Are Padding Profits With 'Reserve' Cash

As Revenue Slows, Some Banks Increasingly Use Loan-Loss Reserves to Boost Income

By MICHAEL RAPOPORT

Updated Oct. 25, 2013 7:23 p.m. ET

Federal regulators have warned banks to be careful about padding their profits with money set aside to cover bad loans. But some of the nation's biggest banks did more of it in the third quarter than earlier this year.



J.P. Morgan Chase & Co., Wells Fargo & Co., Bank of America Corp. and Citigroup Inc., the nation's largest banks by assets, tapped a total of \$4.9 billion in loan-loss reserves in the third quarter, up by about a third from both the second quarter and the year-ago quarter after adjustments. All the banks except Citigroup showed significant increases compared with the second quarter.

The banks justify the releases. They cite improvements in credit quality and economic conditions—which make it less necessary for them to hold large amounts of reserves as a cushion against loans that go sour—and they say they are following accounting rules that require them to release funds as losses ease.

A Bank of America spokesman said "the significant impact in credit quality we've seen in the last 12 months" has driven the reserve releases. J.P. Morgan, Wells Fargo and Citigroup all pointed to previous comments their top executives recently made indicating that reserve releases were merited because of factors like improving credit quality and the recent increase in housing prices.

But the Office of the Comptroller of the Currency, which regulates nationally chartered banks and federal savings associations, is reiterating warnings to banks about overdoing it.

Wall Street Journal, October 25, 2013

Federal regulators have warned banks to be careful about padding their profits with money set aside to cover bad loans. But some of the nation's biggest banks did more of it in the third quarter than earlier this year.

The banks justify the releases. They cite improvements in credit quality and economic conditions – which makes it less necessary for them to hold large amounts of reserves as cushion against loans that go sour –

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Applications in Introductory Financial Accounting

QUESTIONS OR COMMENTS